RESPONSE TO THE AUDITOR GENERAL

BUDGET
2012
Investing in People

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The Auditor General reports twice a year on the scope and findings of the work carried out by the Office of the Auditor General. The following are the numbered recommendations in the Auditor General's semiannual report titled *Report of the Auditor General of Alberta – November 2011* and the government's response to each of them.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
Environment and Water	
Climate Change and Emissions Management Fund—Use of Offsets	
1. Department—Clarify guidance (Repeated) We again recommend the Department of Environment and Water clarify the guidance it provides to facilities, verifiers, offset project developers and offset protocol developers, to ensure they consistently follow the requirements in place to achieve the Alberta government's emissions reduction targets.	**Accepted**. The Department updates guidance documents on an annual basis. In 2011, the Department updated guidance to facilities, verifiers, offset project developers and offset protocol developers. Guidance documents for offset protocol developers were finalized in early 2011. The other guidance documents are currently posted for public comment and review.
2. Department—Ensure all protocols meet new standard, and improve transparency We recommend the Department of Environment and Water implement processes to ensure that all approved protocols adhere to its protocol development standard. We also recommend the Department of Environment and Water improve its transparency by making key information about how protocols are developed publicly available.	**Accepted**. Starting 2010, all new protocols have adhered to guidance published in the *Technical Guidance for Offset Protocol Developers* (January 2011) and existing protocols are being revised to meet these standards. Permanent records for protocol development are housed on the Carbon Offset Solutions website.
Ministry Annual Reports	
3. Department—Improving processes to select performance measures We recommend the Department of Treasury Board and Enterprise work with other ministries to improve processes for selecting measures for public reporting, including the sample to be reviewed by the Auditor General.	**Accepted**. The Department continues to work with other ministries to improve processes relating to the selection of measures for public reporting, including those selected for review by the Auditor General. A checklist was developed and implemented to assist ministries in selecting appropriate measures for review and to manage issues such as changes to measure methodology. Quarterly progress reports will be shared with the Office of the Auditor General.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
Advanced Education and Technology	
4. Alberta Innovates—Technology Futures—Improve project management governance and controls for new information systems	
We recommend that Alberta Innovates—Technology Futures improve its governance practices for the Corporate Information Systems project, by: • establishing formal project management policies, processes, standards and controls for the Corporate Information System project • establishing a project steering committee comprised of key stakeholders • documenting and communicating the roles and responsibilities for all stakeholders, including the steering committee, board sub-committee and project sponsors • updating the business case to set out the project's objectives that enables the steering committee to monitor and measure the project's progress • formally assessing the impact of the project on other strategic business initiatives and periodically updating the assessment	**Accepted**. In 2011, Alberta Innovates—Technology Futures (the Corporation) established the required project management policies, established a steering committee and updated the roles and responsibilities for the Corporate Information System project. The Corporation expects to have a charter updating the business case and project plan, as well as an assessment of the impact of the project on other strategic business objectives by March 2012.
5. University of Calgary—Enterprise risk management	
We recommend that the University of Calgary adopt an integrated risk management approach to identify and manage the risks that impact the University as a whole.	**Accepted**. The University of Calgary is working on developing a risk management plan. The plan is expected to be finalized by March 2012.
6. University of Calgary—Improve IT change management controls	
We recommend that the University of Calgary implement: • an organization-wide IT change management policy with supporting procedures and standards • processes to ensure the policy is consistently followed throughout the organization	**Accepted**. The University of Calgary has developed standards and processes for an organization-wide IT change management policy. Pilot test projects began in August 2011.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
7. University of Calgary—Secure access to its PeopleSoft system	
We recommend that the University of Calgary ensure access to its PeopleSoft system is secured and meets the University's security standards.	**Accepted**. The University of Calgary adopted an authentication process with the implementation of the IS2 (Innovative Support Services) project. Quarterly reviews of the effectiveness of the authentication process began in fall 2011.
Agriculture and Rural Development	
8. Agriculture Financial Services Corporation—Lending controls	
We recommend that the Agriculture Financial Services Corporation ensure its key lending controls operate as designed.	**Accepted**. Agriculture Financial Services Corporation is in the process of reviewing its policy and procedures to implement changes to further improve the effectiveness of internal controls in specific areas by March 31, 2012.
9. Agriculture Financial Services Corporation—AgriStability accrual process	
We recommend that the Agriculture Financial Services Corporation ensure its procedures to develop the AgriStability accrual are properly documented and reviewed.	**Accepted**. Agriculture Financial Services Corporation has established procedures and approvals for determining the AgriStability accrual. During the 2011-12 fiscal year, the documentation of procedures will be formalized along with the segregation of duties, review and approval.
10. Alberta Livestock and Meat Agency Ltd.—Enterprise risk management	
We recommend that the Alberta Livestock and Meat Agency Ltd. improve its risk management processes.	**Accepted**. Alberta Livestock and Meat Agency Ltd. has developed and implemented a risk management process which has been incorporated into its strategic and business planning process.
11. Alberta Livestock and Meat Agency Ltd.—Compliance with contracting procedures	
We recommend that the Alberta Livestock and Meat Agency Ltd. ensure compliance with its contracting procedures.	**Accepted**. Alberta Livestock and Meat Agency Ltd. has changed its processes to ensure compliance with its contract policies.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
Education	
12. Department—Consolidation processes	
We recommend that the Department of Education improve its processes to consolidate the financial information of school jurisdictions into the Ministry of Education's financial statements.	**Accepted.** The Ministry of Education will restrict stub period adjustments for school jurisdictions to amounts that materially affect the financial position or operating results of the Ministry. The consolidation process will ensure that any errors in calculations, estimates or adjusting entries are detected and corrected on a timely basis.
Energy	
13. Department—Improving processes to recognize royalty revenue estimates in the financial statements	
We recommend that the Department of Energy improve its controls for: • using consistent methods to calculate bitumen royalty estimates • conducting timely reviews of the calculations used to estimate natural gas royalty revenue	**Accepted**. The Department will implement a revised methodology and develop a checklist to ensure that consistent methods are used to calculate bitumen royalty estimates for fiscal year end 2011-12. The Department has engaged an external consultant to undertake a comprehensive review of business processes, controls, and performance measures used to determine natural gas royalties. As part of this review, a comprehensive checklist and sign-off process will be established for the 2011-12 fiscal year end process.
Finance	
14. Alberta Investment Management Corporation—Investment risk IT system	
We recommend that the Alberta Investment Management Corporation improve its controls over the investment risk IT system.	**Accepted**. Alberta Investment Management Corporation is developing an execution plan to improve its controls over the investment risk IT system. The plan is expected to be completed by March 31, 2012. These changes will help make risk assessments more accurate.
15. Alberta Investment Management Corporation—AIMCo's revenue from cost recoveries	
We recommend that the Alberta Investment Management Corporation reconcile its revenue from cost recoveries reported in its financial statements to the total fees it recovers from its clients and investment pools.	**Accepted**. Alberta Investment Management Corporation (AIMCo) is in the process of improving its systems and controls. AIMCo is working on reconciling the amounts they charge to the investment pools with their Controller's Reports. This will be completed by March 31, 2012.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
16. ATB Financial—New banking system internal controls	
We recommend that ATB Financial confirm that the key controls in the new banking system, as identified in its risk and control matrices, are implemented and operate effectively.	**Accepted**. Management had concluded that internal controls were adequate prior to go-live. ATB started using the new banking system in September 2011. Management expects six to nine months to test the system's operating effectiveness.
Municipal Affairs	
17. Alberta Social Housing Corporation—Social housing contracting policy	
We recommend that the Alberta Social Housing Corporation develop a contracting policy for capital additions to its social housing portfolio and strengthen related contract management processes.	**Accepted**. The Ministry of Municipal Affairs will review and update the Alberta Social Housing Corporation's construction policies and related contracting processes. This recommendation will be implemented by March 31, 2012.
18. Department—Disaster recovery estimation methodology	
We recommend that the Department of Municipal Affairs clarify its method for initially estimating disaster recovery expenses.	**Accepted**. The Department will clarify its method for estimating future disaster recovery expenses. This recommendation will be implemented by March 31, 2012.

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AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
Finance and Enterprise	
Alberta Treasury Branches—Treasury Management	
1. Interest rate risk model assumptions (Repeated)	
We again recommend that Alberta Treasury Branches improve processes for creating, applying and validating assumptions used in its interest rate risk models.	**Accepted**. Significant progress has been made in identifying and quantifying key model assumptions. Additional efforts are required to institute an appropriate model review process for those assumptions. A completed project plan and preliminary key assumption reviews are anticipated by the end of the 2011-12 fiscal year.
Sustainable Resource Development	
Natural Resources Conservation Board—Confined Feeding Operations	
2. Surface water risks	
We recommend that the Natural Resources Conservation Board demonstrate that its compliance approach is adequate in proactively managing surface water risks.	**Accepted**. The current compliance and enforcement policy of the Natural Resources Conservation Board (NRCB) emphasizes education and a series of escalating steps where appropriate to ensure compliance with the *Agricultural Operation Practices Act*. The policy is complaint-based and employs a risk-based approach to dealing with the potential risk to groundwater, as well as surface water quality. NRCB has undertaken to demonstrate that its current approach in dealing with surface water quality risks is appropriate.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
Advanced Education and Technology	
Grant MacEwan University	
3. Ensure contracts are signed before work begins (Repeated)	
We again recommend that Grant MacEwan University have signed contracts (interim or final) in place before projects start.	**Accepted**.